Supreme Court, U.S.
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No. 94-666

IN THE
Supreme Court of the United States
OCTOBER TERM, 1994

INTERNATIONAL RECTIFIER CORPORATION,
Cross-Petitioner,

v.

SGS-THOMSON MICROELECTRONICS, INC.,
Cross-Respondent.

On Cross-Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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CROSS-RESPONDENT'S BRIEF IN OPPOSITION

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November 14, 1994

WILSON - EPES PRINTING CO., INC. - 789-0096 - WASHINGTON, D.C. 20001

QUESTIONS PRESENTED

1. Whether a California-based company has sufficient contacts with Texas to support personal jurisdiction in a patent infringement case filed there when that company intentionally established authorized distributors and sales representatives in Texas, sold allegedly infringing products to customers in Texas, regularly sent its agents and employees into Texas in connection with its sales efforts, and committed or induced others to commit acts of infringement in Texas.

2. Whether the Federal Circuit properly exercised jurisdiction over the appeal of the district court's ruling on the merits of this case where the appellant noticed an appeal after the entry of judgment on the merits, the appellee *subsequently* filed a motion in the district court seeking attorneys' fees, and the appellant filed another notice of appeal after the decision on the attorneys' fees motion that also sought review of the district court's decision on the merits.

LIST OF PARTIES AND AFFILIATES

In addition to the parties listed in the caption, SGS-Thomson Microelectronics, S.A. and SGS-Thomson Microelectronics, S.r.L. were counterclaim defendants in the district court; neither was a party in the court of appeals.

Pursuant to S. Ct. Rule 29.1, the following are the parent companies and non-wholly owned subsidiaries of SGS-Thomson Microelectronics, Inc.:

SGS-Thomson Microelectronics, N.V.

Thorn EMI plc

Thomson- CSF.

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CROSS-RESPONDENT'S BRIEF IN OPPOSITION

International Rectifier's cross-petition seeks review in this Court of two issues, on both of which the law is well settled in support of the holdings of the court of appeals. First, IR seeks review of the Federal Circuit's decision that, because IR had appointed authorized distributors in Texas, sold allegedly infringing products to customers in Texas, regularly sent its employees and agents to that state, and otherwise directed substantial sales efforts there, it was subject to specific personal jurisdiction in the Northern District of Texas. Second, IR seeks review of the Federal Circuit's decision that it had jurisdiction

over SGS-Thomson's appeal, where SGS-Thomson filed two notices of appeal: one following the district court's judgment on the merits but prior to its ruling on IR's motion for attorneys' fees and one following the district court's ruling on attorneys' fees. Although not necessary to preserve appellate jurisdiction, SGS-Thomson's second notice of appeal, out of an abundance of caution, identified both the attorneys' fees decision and all prior decisions, including the merits decisions, as matters being appealed.

JURISDICTION

As discussed in this opposition, *infra*, the United States Court of Appeals for the Federal Circuit had jurisdiction over SGS-Thomson's appeal, because SGS-Thomson's initial timely notice of appeal was not made ineffective by IR's subsequent motion for attorneys' fees and because, even if the initial notice of appeal had been rendered ineffective, SGS-Thomson properly noticed an appeal following the district court's subsequent ruling on attorneys' fees. Jurisdiction in this Court is proper under 28 U.S.C. § 1254(1).

STATEMENT OF THE CASE

As the Federal Circuit held, at the time SGS-Thomson filed suit in the Northern District of Texas, International Rectifier had sufficient contacts with that district to be sued there. Although IR used the infringing process at its plant in California, it directed substantial sales and marketing activities at Texas. As the Federal Circuit held, "IR actively solicited sales in Texas (including in the Northern District), set up sales and distribution networks designed to serve the forum, and sold products made by the allegedly infringing process to customers in the forum." Pet. App. 3a-4a.[1]

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[1] The Federal Circuit went on to observe, in a foonote, that:

IR disagrees, and argues that it sold its products to independent distributors *in California* who in turn sold them to cus-

The undisputed facts presented to the Texas District Court and the Federal Circuit establish that IR directed the infringing products at Texas. Specifically, IR maintained an extensive sales and distribution network designed to market those products in Texas. At the time that SGS-Thomson filed this suit, IR was marketing its products in Texas through nine "Authorized Distributors," at least four of which were located in the Northern District. In particular, IR had appointed Harrison Equipment Company, Inc., a Texas corporation with offices in Dallas and five other Texas cities, as an authorized IR Distributor.

IR exercised significant control over the operations of its authorized distributors. IR and Harrison had agreed upon a list of IR products that Harrison was required to stock. Harrison was required to maintain an inventory of IR parts consistent with the demands of the marketplace and was required to supply IR with monthly inventory and sales reports. These reports showed extensive sales of the accused devices in the Northern District of Texas, including sales by IR to Harrison. Indeed, IR admitted that it had annual sales in the Northern District on the order of $1 million. Pet. App. 4a. Moreover, IR employees made monthly trips to Texas to visit customers and to assist in training IR's Texas distributors. *Id.*

In addition to these extensive direct contacts with Texas, the Federal Circuit held as an alternative basis for *in personam* jurisdiction that IR's general sales activities "subject[ed] it to specific personal jurisdiction under the stream of commerce doctrine." Pet. App. 5a. Specifically, the Federal Circuit held that IR directed its commercial activities throughout the United States, with the

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> tomers *in Texas*. IR, however, also sold accused products to distributors located in Texas, knowing and intending that they would sell those products to Texas customers. Thus, for jurisdictional purposes, the technical location of IR's sales transactions is not relevant.

Pet. App. 4a n.1 (emphasis in original).

desire and expectation that sales of the infringing products would be made within the Northern District of Texas.

> IR sells its products throughout the United States, conducts a national advertising campaign, and solicits its customer inquiries and sales through a national toll-free telephone number. IR products, including substantial quantities of the accused products, are shipped to Texas, where they are sold to Texas customers. In short, IR entered its products into an unrestricted stream of commerce, expecting its products to be distributed throughout Texas.

Pet. App. 5a. As noted above, IR employees regularly visited Texas to call on customers and assist with distributor training. IR also provided its own product catalogs, design manuals, and promotional materials to its authorized representatives for their use in soliciting sales of IR products in the Northern District of Texas.

Following the Texas District Court's transfer of the case to the Central District of California, the California District Court granted summary judgment for IR on each of SGS-Thomson's infringement claims. On May 10, 1993, the district court entered judgment on those claims. SGS-Thomson noticed its appeal on May 14, 1993, and filed an amended notice on May 19. On May 17, 1993, IR filed a motion in the district court seeking attorneys' fees under section 285 of the Patent Act, 35 U.S.C. § 285. Although IR attempted to characterize its attorneys' fees motion as a motion under Fed. R. Civ. P. 59(e), the district court properly declined to treat it as such when the court entered its order granting IR's request for attorneys' fees on August 9, 1993. *See* Cross-Pet. at 8. On September 1, 1993, SGS-Thomson filed a notice of appeal "from the Order in this action entered on August 9, 1993, and any prior interlocutory or non-appealable orders relevant thereto." Opp. to Cross-Pet. App. 1a.

The Federal Circuit rejected IR's contention that SGS-Thomson's first notice of appeal was premature and that it therefore lacked jurisdiction over SGS-Thomson's appeal of the merits decisions issued by the district court. The Federal Circuit reasoned that the issue was controlled by *Budinich v. Becton Dickinson & Co.*, 486 U.S. 196 (1988), in which this Court held that a motion for attorneys' fees is not a motion to amend or alter the judgment under Rule 59(e) and that a notice of appeal filed prior to resolution of such a motion is effective to confer jurisdiction over an appeal of a ruling on the merits. Pet. App. 7a-8a. The Federal Circuit also noted that the fact that a party may incorrectly label an attorneys' fees motion as a motion under Rule 59(e) does not change the jurisdictional analysis. Pet. App. 8a. On the merits, the Federal Circuit vacated the district court's decision in all respects. *See* Pet. at 5-8.

REASONS FOR DENYING THE CROSS-PETITION

1. The Federal Circuit correctly interpreted the prevailing patent law and this Court's due process cases when it held that International Rectifier was subject to personal jurisdiction in Texas.[2] Although the Federal Circuit's decision, because of a subsequently issued errata (Pet. App. 105a-06a), is somewhat confusing, that decision is correct under either the statute upon which the court initially relied—35 U.S.C. § 271(g)—or the statute cited in the opinion as amended—35 U.S.C. § 271(a).

a. Section 271(a) of the Patent Act, 35 U.S.C. § 271(a), makes it unlawful to make, use or sell any

[2] The cross-petition does not dispute that the questions of personal jurisdiction and venue in this case merge, because 28 U.S.C. §§ 1391(c) and 1400(b) combine to subject a corporate defendant in a patent case to venue wherever it may be subject to personal jurisdiction. Additionally, the cross-petition does not dispute that personal jurisdiction under Texas law stretches to the limits of the Due Process Clause. *See Bullion v. Gillespie*, 895 F.2d 213, 216 (5th Cir. 1990); Pet. App. 3a; Cross-Pet. at 9 & n.5.

patented invention "without authority." SGS-Thomson alleged just such a violation, and IR's activities in selling the accused devices in Texas, and in a stream of commerce directed at Texas, subjected it to personal jurisdiction there. This result is unremarkable, both under the facts of this case and this Court's controlling personal jurisdiction decisions.

As noted, the Federal Circuit held that IR directed substantial sales activities at Texas. The undisputed evidence supporting that conclusion was overwhelming. IR had authorized distributors established in Texas and it had a substantial role in directing the activities of those distributors. IR sold accused products to customers in Texas. Pet. App. 4a. Furthermore, IR's own personnel visited Texas on a monthly basis in conjunction with its marketing program. *Id.* IR's total sales within Texas in the year SGS-Thomson brought suit exceeded $2 million, including sales of the accused products. In light of these facts, IR's characterization of the court of appeals' decision as one which holds that "*whenever* an infringing product is introduced into the stream of commerce, the alleged infringer is subject to an *in personam* judgment in *any* district in the United States" (Cross-Pet. at 10 (emphasis in original); *see also id.* at 12) is pure hyperbole.

Instead, as the court of appeals held, IR's activities directed particularly at Texas were more than sufficient to support specific personal jurisdiction under this Court's decisions. IR's argument, albeit crafted in several slightly different ways (Cross-Pet. at 10-11 & n.8, 13-14, 15 & n.10), is essentially that it could not be subject to personal jurisdiction in Texas because it contrived to employ independent contractors as authorized distributors and required that all sales be finalized and delivered (f.o.b. El Segundo) in California. But this view was squarely rejected by this Court in *International Shoe Co. v. Washington*, 326 U.S. 310, 314 (1945). There, this

Court held that the Washington courts had personal jurisdiction over International Shoe, notwithstanding the fact that the company retained the right to approve all sales at its office in St. Louis and shipped products f.o.b. from points outside Washington. *See also International Harvester Co. v. Kentucky*, 234 U.S. 579, 584 (1914).

Alternatively, IR's contacts with Texas were sufficient to subject it to specific personal jurisdiction under the stream of commerce doctrine. When a manufacturer such as IR "delivers its products into the stream of commerce with the expectation that they will be" sold in the forum state, the minimum contacts test is satisfied, provided that " 'the defendant's conduct and connection with the forum State are such that [it] should reasonably anticipate being haled into court there.' " *Irving v. Owens-Corning Fiberglas Corp.*, 864 F.2d 383, 385 (5th Cir.), *cert. denied*, 493 U.S. 823 (1989), *quoting World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297-98 (1980). As discussed, IR did not simply place the allegedly infringing products into the stream of commerce with the knowledge that they would end up in Texas, among other places. IR, through the use of authorized distributors and its own employees, affirmatively sought to distribute the products into Texas. IR plainly "purposefully availed" itself of the privilege of doing business in that state. *World-Wide Volkswagen*, 444 U.S. at 297.

The Federal Circuit's personal jurisdiction analysis is not in conflict with any decisions of this Court or any other court. IR's repeated reliance on the "consummated sales doctrine" (Cross-Pet. at 11 & n.8, 15 & n.10) has no force here. That doctrine is not a jurisdiction-related doctrine; to the extent that the doctrine has any vitality, it is limited to consideration of *venue* under the "acts of infringement" test of 28 U.S.C. § 1400(b).[8] Indeed, the

[8] As explained above and in SGS-Thomson's petition, venue was proper in the Northern District of Texas under the alternate "where the defendant resides" test of 28 U.S.C. § 1400(b). The

only patent infringement cases of which SGS-Thomson is aware that have considered whether the technicalities of "freight terms" in a sales contract could defeat specific personal jurisdiction have expressly rejected that argument. *See Tomar Elec., Inc. v. Whelen Technologies, Inc.*, 819 F. Supp. 871, 876 (D. Ariz. 1992) ("[F]or jurisdictional purposes, the technical situs of a sale is simply not controlling"), *citing Wilden Pump & Eng. Co. v. Versa-Matic Tool, Inc.*, 20 U.S.P.Q.2d 1788, 1790 (C.D. Cal. 1991).

IR's reliance on *Max Daetwyler Corp. v. R. Meyer*, 762 F.2d 290 (3d Cir.), *cert. denied*, 474 U.S. 980 (1985), and *Narco Avionics, Inc. v. Sportsman's Market, Inc.*, 792 F. Supp. 398 (E.D. Pa. 1992), for the proposition that the stream of commerce doctrine does not apply in patent cases is similarly misplaced. In both cases, the courts held that the plaintiffs had not established jurisdiction under the stream of commerce doctrine because of a lack of evidence that the defendants deliberately sought to direct their products to the forum states. Neither court held that the stream of commerce doctrine is generally inapplicable in patent infringement cases. *See Max Daetwyler*, 762 F.2d at 299-300; *Narco Avionics*, 792 F. Supp. at 407. To the contrary, *Narco Avionics* indicated that if the defendant knows and plans for its product to be distributed in the forum, the stream of commerce doctrine should apply. *Id.* at 404-05.

Here, IR created a distribution system to ensure that the products at issue were distributed in Texas, and they in fact were distributed there. The Texas District Court thus had specific personal jurisdiction over IR.

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consummated sales doctrine has no application to this venue test, as IR's cases demonstrate. Moreover, the cases IR cites predate the 1988 amendment to 28 U.S.C. § 1391(c), which broadened the definition of "reside" as it applies to corporate defendants to include any place in which the corporate defendant would be subject to personal jurisdiction.

b. The Federal Circuit originally grounded its personal jurisdiction decision on 35 U.S.C. § 271(g), which was enacted in 1988 to make clear that the *sale* of a product made using a patented process is an act of infringement. Prior to 1988, some courts had held to the contrary. *E.g., United States v. Studiengesellschaft Kohle, m.b.H.*, 670 F.2d 1122, 1127-28 (D.C. Cir. 1981). The 1988 enactment of section 271(g) overturned these cases and, at bottom, was designed to do away with unintended artificial distinctions between product and process patents and to provide meaningful protection to owners of patented processes.

SGS-Thomson's cause of action, based in part on section 271(g), arose directly from sales in the Northern District of Texas of products allegedly made using the patented process. IR sold the accused devices to its distributors in Texas, and those distributors in turn sold the accused devices to customers in Texas.[4] This relationship between the cause of action and the forum is more than sufficient to support personal jurisdiction. *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 414 (1984); *Shaffer v. Heitner*, 433 U.S. 186, 204 (1977). Indeed the supplemental concurring opinion of Circuit Judge Plager makes precisely this point: "The language of 35 U.S.C. § 271(g) specifically covers the situation involved in this case. According to that language, it is an act of infringement to import *or* sell *or* use in the United States a product made by a patented process." Cross-Pet. A8 (emphasis in original). Thus, for independent reasons under section 271(g), the court of appeals' decision that IR was subject to personal jurisdiction in the Northern District of Texas was correct.

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[4] SGS-Thomson's complaint also stated a cause of action under 35 U.S.C. § 271(b), which makes it illegal to induce a violation of the patent laws. Thus, IR's sales into Texas and IR's activities in connection with the sales made by its Texas distributors are independent grounds for jurisdiction in Texas.

2. IR argues that this Court should review the Federal Circuit's decision that it had jurisdiction to consider the merits of the California District Court's summary judgment rulings. Review by this Court is unwarranted for at least four reasons. First, the Federal Circuit's decision was correct. IR's motion for attorneys' fees did not make SGS-Thomson's initial notice of appeal ineffective, because IR's motion for attorneys' fees was not, under this Court's decision in *Budinich v. Becton Dickinson & Co.*, 486 U.S. 196 (1988), a Rule 59(e) motion. Second, even if *Budinich* did not control, an independent and alternative basis for appellate jurisdiction existed. SGS-Thomson filed a second notice of appeal after the district court's ruling on attorneys' fees; that notice included among the rulings being appealed "any prior interlocutory or non-appealable orders relevant thereto" (Opp. to Cross-Pet. 1a), thus appealing the rulings on the merits. Third, in any event, the December 1993 amendments to the Federal Rules of Appellate Procedure would apply retroactively to cure any supposed error in SGS-Thomson's notices of appeal. Finally, the December 1993 amendments to the Rules eliminate the possibility that the issue IR attempts to raise will arise in the future, eliminating any conceivable reason for this Court to consider that issue.

This Court in *Budinich v. Becton Dickinson & Co.*, 486 U.S. 196 (1988), unanimously adopted a "bright line rule" that a decision on the merits is a final and appealable decision "whether or not there remains for adjudication a request for attorneys' fees." *Id.* at 202-03. The Court explained:

> As a general matter, at least, we think it indisputable that a claim for attorney's fees is not part of the merits of the action to which the fees pertain. Such an award does not remedy the injury giving rise to the action, and indeed is often available to the party defending the action.

Id. at 200. Accordingly, a motion for attorneys' fees is *not* a Rule 59(e) motion, *id.; see also White v. New Hampshire Dep't of Employment Security*, 455 U.S. 445, 451 (1982), and IR's motion for attorneys' fees had no effect on SGS-Thomson's first notice of appeal.

That IR's motion for attorneys' fees was brought pursuant to 35 U.S.C. § 285, which authorizes the award of attorneys' fees in "exceptional" patent cases, does not alter the controlling nature of *Budinich* in the least. An attorneys' fees award under the patent laws does not require reconsideration of the original judgment, nor are attorneys' fees part of the plaintiff's right of recovery. These crucial facts, which led this Court in *Osterneck v. Ernst & Whinney*, 489 U.S. 169, 174-76 (1989), to conclude that a motion seeking prejudgment interest was a motion under Rule 59(e), are simply not present here.

IR's reliance on the Seventh Circuit's decision in *Hairline Creations, Inc. v. Kefalas*, 664 F.2d 652 (7th Cir. 1981), to support its assertion to the contrary is unavailing. *Hairline Creations* predates this Court's decisions in *White* and *Budinich*, and thus is of little significance now. The Seventh Circuit itself, although not taking the opportunity to overrule *Hairline Creations*, years ago described its holding as "an outlier" and questioned whether, after *White*, *Hairline Creations* was still viable. *Bittner v. Sadoff & Rudoy Industries*, 728 F.2d 820, 827-28 (7th Cir. 1984). Indeed, even before *Budinich* was decided, that court stated that it "may reexamine *Hairline* if the occasion arises." *Exchange Nat'l Bank v. Daniels*, 763 F.2d 286, 294 (7th Cir. 1985). This Court's subsequent decision in *Budinich* eliminated what little doubt may have remained on this subject.

Nevertheless, even if IR were correct that its motion for attorneys' fees should be treated as a motion to amend or alter the judgment under Rule 59(e), SGS-Thomson's notice of appeal following the district court's decision on that motion appealed the merits rulings as well as the attorneys' fees ruling. It is an elementary principle that

an appeal from a final judgment raises all interlocutory decisions which merge into that judgment for appeal. *E.g., Caldwell v. Moore*, 968 F.2d 595, 598 (6th Cir. 1992); *Cattin v. General Motors Corp.*, 955 F.2d 416, 428 (6th Cir. 1992) ("an appeal from a final judgment draws into question all prior non-final rulings and orders"); *Shea v. Smith*, 966 F.2d 127, 129 (3d Cir. 1992) ("when an appellant gives notice that he is appealing from a final order, failing to refer specifically to earlier orders disposing of other claims or other parties does not preclude us from reviewing those orders"); *Cooper v. American Auto. Ins. Co.*, 978 F.2d 602, 607-09 (10th Cir. 1992). Therefore, if IR is correct that its motion for fees rendered the district court's merits rulings nonfinal because the motion sought to alter or amend the merits judgment, the merits rulings necessarily merged into the decision on IR's motion, and SGS-Thomson's notice of appeal from that decision expressly appealed the nonfinal merits rulings as well. *Compare SEC v. Van Waeyenberghe*, 990 F.2d 845, 847-48 n.3 (5th Cir. 1993) (a notice of appeal effectively raises all decisions "inextricably intertwined" with the final decision being appealed).

Indeed, in *Foman v. Davis*, 371 U.S. 178 (1962), this Court held that a second notice of appeal, following a ruling on Rule 59(e) motions, was effective to appeal the initial decision, even where the second notice on its face was limited, unlike the second notice here, to the Rule 59(e) decision alone. In *Foman*, the appellant had noticed an appeal from the initial decision, which the court of appeals found to be premature because of pending Rule 59(e) motions. But, given that initial notice, this Court held that the second notice, which appealed the denial of the Rule 59(e) motions, must be understood to appeal the initial decision as well. *Id.* at 181. The court of appeals' conclusion that it lacked jurisdiction to consider the initial decision was "entirely contrary to the spirit of the Federal Rules of Civil Procedure." *Id.*

The Tenth Circuit followed *Foman* to reach the same result in *Cooper, supra*, 978 F.2d at 607-09.

In addition, as IR notes in its cross-petition, the courts of appeals have held that the December 1993 amendment to Fed. R. App. P. 4(a)(4), which modified the rule to provide that a notice of appeal filed prior to a ruling on a Rule 59(e) motion is not rendered ineffective, applies retroactively to cases pending at the time the rule was amended. Cross-Pet. at 22 n.15 (*citing Burt v. Ware*, 14 F.3d 256 (5th Cir. 1994) (per curiam); *Wallis v. J.R. Simplot Co.*, 26 F.3d 885 (9th Cir. 1994)). *See also Leader Natl. Ins. Co. v. Industrial Indemnity Ins. Co.*, 19 F.3d 444 (9th Cir. 1994). In any event, the amendment to Rule 4(a)(4) means that the issue of appellate procedure IR asks this Court to address, even if it were actually presented in this case, will not arise in the future and thus does not merit this Court's attention.

CONCLUSION

For the foregoing reasons, the cross-petition should be denied.

Respectfully submitted,

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November 14, 1994

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